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Attorneys for Complainant

**BEFORE THE
BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
STATE OF CALIFORNIA**

In the Matter of the Accusation Against:

GLENN E. GLASSHAGEL
331 Mount Hope Street
Henderson, Nevada 89014-7887

21432 Calle Sendero
El Toro, California 92630

**Certified Public Accountant License No. CPA
59093**

Respondent.

Case No. AC-2007-46

**DEFAULT DECISION
AND ORDER**

[Gov. Code, §11520]

FINDINGS OF FACT

1. On or about July 2, 2007, Complainant Carol Sigmann, in her official capacity as the Executive Officer of the Board of Accountancy, Department of Consumer Affairs, filed Accusation No. AC-2007-46 against Glenn E. Glasshagel (Respondent) before the Board of Accountancy.

2. On or about May 17, 1991, the California Board of Accountancy issued Certified Public Accountant Certificate Number 59093 ("the Certificate") to GLENN E. GLASSHAGEL (Respondent). The Certificate was renewed with continuing education (active) for the period of September 1, 1991, through August 31, 1993. The Certificate was renewed

1 without continuing education (inactive) for the period of September 1, 1993, through August 31,
2 1995. The Certificate expired and was not valid for the period of September 1, 1995, through
3 October 5, 1995, because the required renewal fee was not paid and a declaration of compliance
4 with continuing education requirements was not submitted.

5 Effective on October 6, 1995, the Certificate was renewed without continuing
6 education (inactive) following submission of the renewal application through August 31, 1997.
7 The Certificate was expired and not valid for the period of September 1, 1997, through
8 August 31, 2002, because the required renewal fee was not paid and a declaration of compliance
9 with continuing education requirements was not submitted. Effective on September 1, 2002, the
10 Certificate was canceled, under Business and Professions Code section 5070.7, for failure to
11 renew the Certificate within five years.

12 3. On or about July 9, 2007, Kasey P. Arismende, an employee of the
13 Department of Justice, served copies of the Accusation No. AC-2007-46, Statement to
14 Respondent, Notice of Defense, Request for Discovery, and Government Code sections 11507.5,
15 11507.6, and 11507.7 upon Respondent by Certified Mail and by First Class Mail at
16 Respondent's address of record with the Board, which was and is 21432 Calle Sendero, El Toro,
17 California 92630 and also to Respondent at 331 Mount Hope Street, Henderson, Nevada
18 89014-7887. A copy of the Accusation, the related documents, and Declaration of Service are
19 attached as exhibit A, and are incorporated herein by reference.

20 4. Service of the Accusation was effective as a matter of law under the
21 provisions of Government Code section 11505, subdivision (c).

22 5. On or about July 16, 2007, a Return Receipt signed by Respondent of the
23 Certified Mail of the Accusation packet described in Paragraph 3 and served upon Respondent at
24 331 Mount Hope Street, Henderson, Nevada 89014-7887, was returned to the California
25 Department of Justice, Office of the Attorney General, State of California, counsel of record for
26 Complainant. A copy of the signed Return Receipt is attached as exhibit B, and is incorporated
27 herein by reference.

28 6. By letter dated July 31, 2007, a copy of which is attached as exhibit C,

1 Complainant's counsel notified Respondent that no Notice of Defense to the Accusation had
2 been received and that Respondent's default in these proceedings would be taken by the Board
3 unless a completed Notice of Defense was received by August 10, 2007. No Notice of Defense
4 was returned by Respondent by August 10, 2007, or at all. No other communication has been
5 received from Respondent.

6 7. Business and Professions Code section 118 states, in pertinent part:

7 "(b) The suspension, expiration, or forfeiture by operation of law of a license
8 issued by a board in the department, or its suspension, forfeiture, or cancellation by order of the
9 board or by order of a court of law, or its surrender without the written consent of the board, shall
10 not, during any period in which it may be renewed, restored, reissued, or reinstated, deprive the
11 board of its authority to institute or continue a disciplinary proceeding against the licensee upon
12 any ground provided by law or to enter an order suspending or revoking the license or otherwise
13 taking disciplinary action against the license on any such ground."

14 8. Government Code section 11506 states, in pertinent part:

15 "(c) The respondent shall be entitled to a hearing on the merits if the respondent
16 files a notice of defense, and the notice shall be deemed a specific denial of all parts of the
17 accusation not expressly admitted. Failure to file a notice of defense shall constitute a waiver of
18 respondent's right to a hearing, but the agency in its discretion may nevertheless grant a hearing."

19 9. Respondent failed to file a Notice of Defense within 15 days after service
20 upon him of the Accusation or at all, and therefore waived his right to a hearing on the merits of
21 Accusation No. AC-2007-46.

22 10. California Government Code section 11520 states, in pertinent part:

23 "(a) If the respondent either fails to file a notice of defense or to appear at the
24 hearing, the agency may take action based upon the respondent's express admissions or
25 upon other evidence and affidavits may be used as evidence without any notice to
26 respondent."

27 11. Pursuant to its authority under Government Code section 11520, the Board
28 finds that Respondent is in default. The Board will take action without further hearing and,

1 based on Respondent's express admissions by way of default and the evidence before it,
2 contained in exhibits A, B and C, finds that the allegations in Accusation No. AC-2007-46 are
3 true.

4 12. As shown by the Investigative Costs Analysis prepared by Michele
5 Santaga, Enforcement Analyst for the Board of Accountancy, a copy of which is attached as
6 exhibit D and incorporated by reference, the total costs for investigation and enforcement are
7 \$3,101.80 as of August 20, 2007.

8 DETERMINATION OF ISSUES

9 1. Based on the foregoing findings of fact, Respondent Glenn E. Glasshagel
10 has subjected his Certified Public Accountant License No. CPA 59093 to discipline.

11 2. A copy of the Accusation and the related documents and Declaration of
12 Service are attached.

13 3. The agency has jurisdiction to adjudicate this case by default.

14 4. The Board of Accountancy is authorized to revoke Respondent's Certified
15 Public Accountant License based upon the following violations alleged in the Accusation:

16 a. Respondent violated section 5100(h) of the Business and
17 Professions Code because he was suspended from the right to practice or appear before
18 the United States Securities and Exchange Commission.

19 b. Respondent violated section 5100(h) of the Business and
20 Professions Code because he was disciplined by the United States Securities and Exchange
21 Commission.

22 c. Respondent violated section 5100(g) of the Business and
23 Professions Code because he willfully failed to report to the Board as required by section
24 5063(a)(3) within 30 days of his knowledge of the event or at all his suspension from the right to
25 practice as a certified public accountant before the United States Securities and Exchange
26 Commission.

27 ORDER

28 IT IS SO ORDERED that Certified Public Accountant License No. CPA 59093,

1 heretofore issued to Respondent Glenn E. Glasshagel, is revoked.

2 Pursuant to Government Code section 11520, subdivision (c), Respondent may
3 serve a written motion requesting that the Decision be vacated and stating the grounds relied on
4 within seven (7) days after service of the Decision on Respondent. The agency in its discretion
5 may vacate the Decision and grant a hearing on a showing of good cause, as defined in the
6 statute.

7 This Decision shall become effective on November 3, 2007.

8 It is so ORDERED October 4, 2007

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11 FOR THE BOARD OF ACCOUNTANCY
12 DEPARTMENT OF CONSUMER AFFAIRS

13
14 Default.wpd
15 DOJ docket number:SA2007101523

16 Attachments:

- 17 Exhibit A: Copy of Accusation No.AC-2007-46, Related Documents, and Declaration of
18 Service
19 Exhibit B: Copy of Return Receipt signed by Respondent
20 Exhibit C: Copy of Letter of July 31, 2007
21 Exhibit D: Investigative Cost Analysis by Michele Santaga, Enforcement Analyst for the
22 Board of Accountancy
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Exhibit A

Accusation No. AC-2007-46,
Related Documents and Declaration of Service

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2 ARTHUR TAGGART
Supervising Deputy Attorney General

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Deputy Attorney General

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7 Attorneys for Complainant

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CALIFORNIA BOARD OF ACCOUNTANCY
DEPARTMENT OF CONSUMER AFFAIRS
11 **STATE OF CALIFORNIA**

12 In the Matter of the Accusation Against:

Case No. AC-2007-46

13 **GLENN E. GLASSHAGEL**

21432 Calle Sendero

14 El Toro, California 92630

15 331 Mount Hope Street

Henderson, Nevada 89014-7887

16 Certified Public Accountant Certificate No.
17 59093

18 Respondent.

A C C U S A T I O N

19
20 Complainant alleges:

21 **PARTIES**

22 1. Carol Sigmann (Complainant) brings this Accusation solely in her official
23 capacity as the Executive Officer of the California Board of Accountancy, Department of
24 Consumer Affairs.

25 2. On or about May 17, 1991, the California Board of Accountancy issued
26 Certified Public Accountant Certificate Number 59093 ("the Certificate") to GLENN E.
27 GLASSHAGEL (Respondent). The Certificate was renewed with continuing education (active)
28 for the period of September 1, 1991, through August 31, 1993. The Certificate was renewed

without continuing education (inactive) for the period of September 1, 1993, through August 31, 1995. The Certificate expired and was not valid for the period of September 1, 1995, through October 5, 1995, because the required renewal fee was not paid and a declaration of compliance with continuing education requirements was not submitted.

Effective on October 6, 1995, the Certificate was renewed without continuing education (inactive) following submission of the renewal application through August 31, 1997. The Certificate was expired and not valid for the period of September 1, 1997, through August 31, 2002, because the required renewal fee was not paid and a declaration of compliance with continuing education requirements was not submitted. Effective on September 1, 2002, the Certificate was canceled, under Business and Professions Code section 5070.7, for failure to renew the Certificate within five years.

JURISDICTION

3. This Accusation is brought before the California Board of Accountancy (Board), Department of Consumer Affairs, under the authority of the following laws. All section references are to the Business and Professions Code (hereinafter "the Code") unless otherwise indicated.

4. Section 5109 of the Code states:

"The expiration, cancellation, forfeiture, or suspension of a license by operation of law or by order or decision of the board or a court of law, or the voluntary surrender of a license by a licensee, shall not deprive the board of jurisdiction to proceed with any investigation of or action or disciplinary proceeding against the licensee, or to render a decision suspending or revoking the license.

5. Section 5100 of the Code states:

"After notice and hearing the board may revoke, suspend or refuse to renew any permit or certificate granted under Article 4 (commencing with Section 5070) and Article 5 (commencing with Section 5080), or may censure the holder of that permit or certificate for unprofessional conduct which includes, but is not limited to, one or any combination of the following causes:

"(g) Willful violation of this chapter or any rule or regulation promulgated by the board under the authority granted under this chapter".

"(h) Suspension or revocation of the right to practice before any governmental body or agency...."

• • •

"(l) The imposition of any discipline, penalty, or sanction on a registered public accounting firm or any associated person of such firm, or both, or on any other holder of a permit, certificate, license, or other authority to practice in this state, by the Public Company Accounting Oversight Board or the United States Securities and Exchange Commission, or their designees under the Sarbanes-Oxley Act of 2002 or other federal legislation."

6. Code section 5063(a)(3) states, in pertinent part, that "a licensee shall report to the board in writing of the occurrence of any of the following events occurring on or after January 1, 2003, within 30 days of the date the licensee has knowledge of the events:

...

(3) The cancellation, revocation, or suspension of the right to practice as a certified public accountant or a public accountant before any governmental body or agency".

7. Code section 5107 provides, in pertinent part, that the Board may request the administrative law judge, as part of the proposed decision in a disciplinary proceeding, to direct any holder of a permit or a certificate found to have committed a violation or violations of this chapter to pay to the board all reasonable costs of investigation and prosecution of the case, including, but not limited to attorneys' fees, up to the date of the administrative hearing.

FACTS

8. On or about July 15, 2005, the Securities and Exchange Commission commenced a civil action entitled *Securities and Exchange Commission, plaintiff v. Glenn E. Glasshagel, defendant*, United States District Court, Southern District of California, Case No. 05-61159 (the "Civil Action"). The Civil Action sought declaratory relief, a permanent injunction, disgorgement of profits and other relief on the grounds, *inter alia*, that Respondent-Defendant violated Sections 10b and 13(b)(5) of the Securities and Exchange Act, and Rules 10b-

5, 13(b)(2)-1 and 13(b)(2)-2 promulgated thereunder, by knowingly employing devices, schemes or artifices to defraud, making untrue statements of material facts and omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, and/or engaging in acts, practices and courses of business which have operated, are now operating or will operate as a fraud on the purchasers of such securities. The Civil Action alleged, in pertinent part, that in or about 1998-2000, while Respondent-Defendant was Principal Financial Officer and Principal Accounting Officer for Roadhouse, a NASDAQ company, made or directed others to make accounting adjustments to Road house's accounting records that he knew were false, or was reckless in not knowing were false. Respondent made such accounting adjustments to materially reduce Roadhouse's expenses and materially inflate its net income to artificially achieve earnings targets set for Roadhouse by an outside analyst. Defendant-Respondent's wrongful acts allegedly included recordation of a false rebate receivable of \$200,000, failure to accrue expenses, and causing Roadhouse's financial statements to not be prepared in conformity with Generally Accepted Accounting Principles (GAAP). As a result of Respondent-Defendant's wrongful acts, Roadhouse subsequently was required to and did restate its previously reported earnings, causing a decline in its stock price of more than 55%.

9. On or about October 31, 2006, with the consent of Respondent-Defendant, a "Judgment of Permanent Injunction and Other Relief Against Defendant Glenn E. Glasshagel" was entered in the Civil Action (the "Judgment"). The Judgment, *inter alia*, barred Respondent-Defendant from acting as an officer or director of any issuer that has a class of securities registered with the Securities and Exchange Commission pursuant to Section 12 of the Exchange Act, 15 U.S.C. section 781 or that is required to file reports pursuant to Section 15d of the Exchange Act, 15 U.S.C. section 78o(d), permanently enjoined Respondent from future violations of Section 13(a), Rules 12b-20, 13a-1 and 13a-13 of the Exchange Act [15 U.S.C. 78m(a) and 17 C.F.R. sections 240.12b-20, 240.13a-1 and 240.13a-13], Sections 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act [15 U.S.C. sections 78m(b)(2)(A) and 78m(b)(2)(B)], Rules 13b2-1 and 13b2-2 thereunder, and permanently enjoined Respondent from aiding and abetting

1 violations of any of said statutes and rules. Additionally, Respondent-Defendant was ordered to
2 pay a civil penalty.

3 10. On or about January 12, 2007, in a case entitled *In the Matter of Glenn E.*
4 *Glasshagel, CPA, Administrative Proceeding File No. 3-12536*, the Securities and Exchange
5 Commission issued an Order Instituting Administrative Proceedings Pursuant To Rule
6 102(e)(3)(i) Of The Commission's Rules Of Practice, Making Findings, And Imposing
7 Remedial Sanctions ("Order").^{1/} By said Order, Respondent was suspended from appearing or
8 practicing before the United States Securities and Exchange Commission as an accountant.

9 **FIRST CAUSE FOR DISCIPLINE**

10 (Suspension By Governmental Agency)

11 11. Respondent is subject to disciplinary action under section 5100(h) of the
12 Code in that Respondent was suspended from the right to practice or appear before the United
13 States Securities and Exchange Commission by the Order alleged in Paragraph 10 above.

14 **SECOND CAUSE FOR DISCIPLINE**

15 (Discipline by the U.S. Securities and Exchange Commission)

16 12. Respondent is subject to disciplinary action under section 5100(l) of the
17 Code in that Respondent has been disciplined by the United States Securities and Exchange
18 Commission, as more fully set forth in paragraphs 8-10 above.

19 **THIRD CAUSE FOR DISCIPLINE**

20 (Failure to Report to the Board of Suspension of Right to Practice before SEC)

21 13. Respondent is subject to disciplinary action under Section 5100(g) by his
22 willful failure to report to the Board as required by Code section 5063(a)(3), within 30 days of
23 his knowledge of the event or at all, his suspension from the right to practice as a certified public
24

25 1. Rule 102(e)(3)(i) provides, in relevant part, that the Commission, "with due regard to
26 the public interest and without preliminary hearing, may, by order,...suspend from appearing or
27 practicing before it any...accountant...who has been by name...permanently enjoined by any
28 court of competent jurisdiction, by reason of his or her misconduct in an action brought by the
Commission, from violating or aiding and abetting the violation of any provision of the Federal
securities laws or of the rules and regulations thereunder."

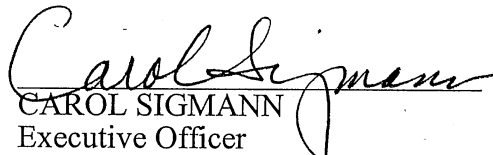
1 accountant before the Securities and Exchange Commission pursuant to the Order alleged in
2 Paragraph 10 above.

3 **PRAYER**

4 WHEREFORE, Complainant requests that a hearing be held on the matters herein
5 alleged, and that following the hearing, the California Board of Accountancy issue a decision:

- 6 1. Revoking, suspending or otherwise imposing discipline upon Certified
7 Public Accountant Certificate Number 59093, issued to GLENN E. GLASSHAGEL;
8 2. Ordering that GLENN E. GLASSHAGEL reimburse the Board for
9 reasonable costs of investigation and prosecution according to proof.
10 3. Taking such other and further action as may be required.

11 DATED: July 2, 2007

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14 CAROL SIGMANN
15 Executive Officer
16 California Board of Accountancy
17 Department of Consumer Affairs
18 State of California
19 Complainant
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